

Fiscal Services Division

Legislative Services Agency

Fiscal Note

SF 2421 – Economic Development Sales Tax (LSB 6595 SV)

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Fiscal Note Version – **REVISED**

Description

Senate File 2421 allows special charter cities with a population over 75,000 to impose a special charter city sales and services tax of 1.0% with voter approval.

When approved in the charter city:

- Ninety percent of the funds are to be used for providing financial assistance to resident students of the charter city to attend postsecondary education or to provide eligible members of the armed forces assistance in the purchase of a home or business in the charter city.
- Ten percent of the funds are to be used to hire additional public safety personnel.

Assumptions

- Currently, there is one special charter city in Iowa with a population over 75,000 that would be eligible to impose the sales tax.
- Potential special charter city sales and services tax annual revenues are based on current Local Option Sales Tax (LOST) for the eligible city.
- An increase in the sales tax rate could impact consumer purchasing decisions in the special charter city. This fiscal note does not address that impact.

Fiscal Impact

There is no State General Fund impact.

The estimated impact at the local level is currently unknown. If voters in the eligible charter city do not approve the special charter city sales and services tax, there will be no impact. However, if voters of the eligible city approve the sales tax, the estimated annual impact could total approximately \$14.3 million in special charter city sales and services tax revenue.

Sources

Iowa Department of Revenue, LOST payment files
U.S. Census Bureau, Annual Population Estimates

April 16, 2008

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
